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ANNUAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30 1966
CANADA AND DOMINION SUGAR COMPANY LIMITED



expo67

Redpath Sugar has produced a series of full-colour individual service envelopes for restaurant use, showing national buildings which will be featured at Canada's International Exhibition next year.

Canada and Dominion Sugar Company is participating in one of the main exhibits at Expo, "Man the Provider". Along with other Eastern Canadian members of the Canadian Sugar Institute, your Company also will have an exhibit in the Quebec Industries Pavilion.



DEC 19 1967

directors

HON. LOUIS P. BEAUBIEN, Montreal
Director, The Empire Life Insurance Company

G. E. ELLSWORTH, Toronto
President, The Toronto Iron Works, Limited

JAMES M. FERGUSON, San Francisco
President, Pacific Molasses Company

HON. G. B. FOSTER, Q.C., Montreal
Partner, Foster, Watt, Leggat and Colby

SIR IAN D. LYLE, London, England
President, Tate & Lyle, Limited

M. D. OLIPHANT, Liverpool, England
Director, Tate & Lyle, Limited

J. PEMBROKE, Montreal
Chairman, The Royal Trust Company

W. H. PUNCHARD, Montreal
Vice-President, Canada and Dominion Sugar Company Limited

SIR PETER F. RUNGE, London, England
Vice-Chairman, Tate & Lyle, Limited

W. W. SPRAGUE, Jr., Savannah, Georgia
Vice-President, Savannah Sugar Refining Corp.

H. S. TATE, Montreal
Managing Director, Canada and Dominion Sugar Company Limited

J. O. WHITMEE, Montreal
President, Canada and Dominion Sugar Company Limited

officers

HON. G. B. FOSTER, Q.C.,
Chairman

J. O. WHITMEE,
President

H. S. TATE,
Managing Director

W. H. PUNCHARD,
Vice-President

R. R. PORTEOUS,
Vice-President

M. W. DAVIDSON,
Vice-President

G. E. HRUDKA,
Vice-President

J. H. MAGEE,
Vice-President

F. N. WILSON, C.A.,
Vice-President and Treasurer

E. J. FAUST,
Vice-President

R. G. BROWNRIDGE, C.A.,
Asst. Treasurer

J. E. WOOD,
Secretary

shareholders' annual meeting

The annual general meeting of shareholders will be held in Toronto in the British Columbia Room of the Royal York Hotel on Thursday, December 15, at 11:30 a.m. E.S.T. Following the meeting there will be a buffet luncheon.

front cover

This summer Redpath introduced another first in sugar packaging -- a one lb. shaker for fruit powdered sugar. This package won an award in a recent packaging exhibition.

report of the board of directors to the shareholders

Your Directors have pleasure in submitting financial statements and their report of the activities of the Company for the year ended September 30th, 1966.

financial results

The profit before income tax for the year was \$6,955,812 resulting in a net profit of \$3,355,812 after providing \$3,600,000 for taxes. Net earnings were therefore \$2.17 per share, compared with \$2.21 in 1965.

As last year, low world prices for raw cane sugar have prevailed throughout 1966 and while these prices have only a minimal effect on the profits of the cane sugar operation of the Company, they give a poor return to the growers and processors of sugar beets. With a harvested acreage substantially smaller than usual, the result has been that

the beet sugar division of the Company has operated at a loss. Fortunately, increased volume and lower costs in the cane division, and an improvement in investment income have offset the poor results of the beet division.

The lower value of sales for the year reflects the lower raw sugar price, but is no indication of the volume of sales. In an industry in which the raw material represents such a large percentage of the cost of the finished product, and is subject to major fluctuations in price, comparisons from year to year on a basis of value of sales are quite unrealistic.

The Company's strong current position was further enhanced by an increase of \$2,790,330 in working capital during the year. A total of \$1,373,429 was spent on new plant and equipment compared with \$3,011,680 in 1965. Additions during the year included a new juice purification system which has already improved extraction efficiency in the Chatham factory and other improvements at Toronto and Montreal refineries.

Present plans indicate approximately \$1,000,000 will be invested in fixed assets in the coming year.

dividends

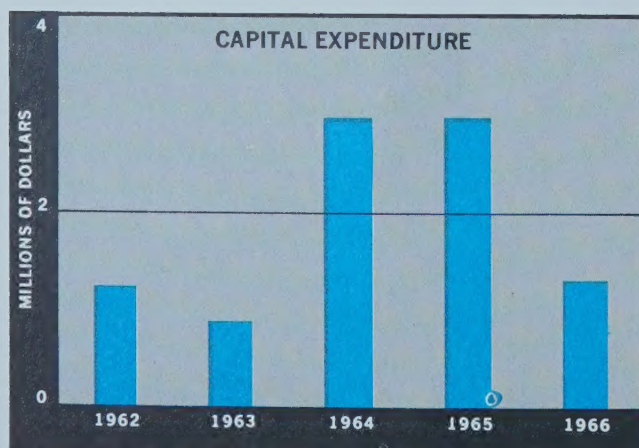
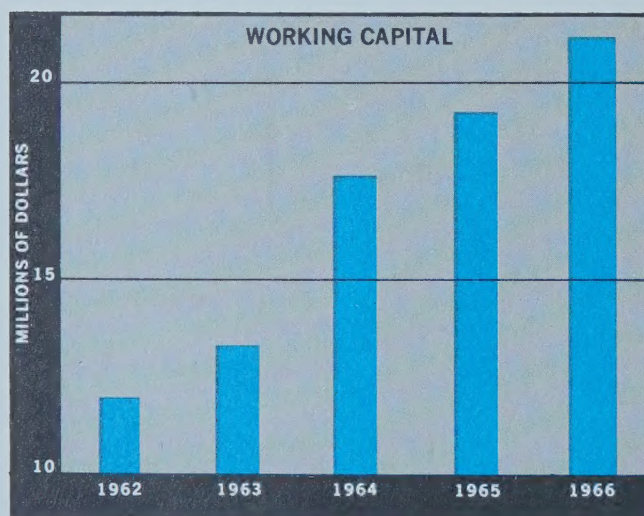
Dividends of 30 cents per share on the 1,550,000 outstanding shares were paid in each of the four quarters of the fiscal year.

For the last three years, earnings per share have averaged \$2.20. An increased quarterly dividend of 35 cents per share has been declared for payment in December 1966. It is the expectation of the Directors that earnings will permit continuation of this level of quarterly payments.

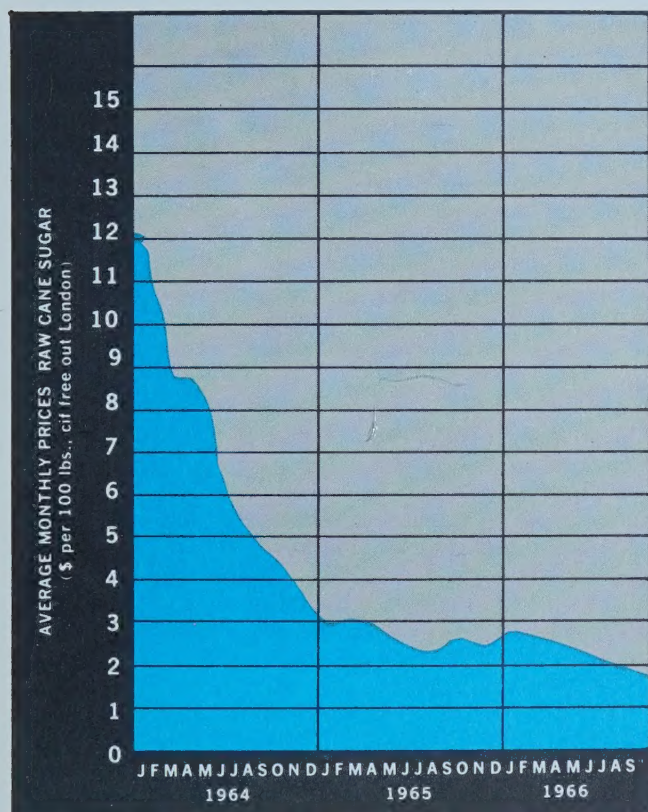
raw cane sugar

On September 30th, 1965, the London Daily Price, the basis upon which the Company's raw sugar supplies are priced, was £ 21/10/- per long ton c.i.f. London. A year later it was £ 15/10/- and there has been no improvement since. Nor are there any indications of any immediate improvement. Indeed, all the statistics suggest there will be a record surplus of sugar in the world at the end of this year and that, therefore, if the ordinary rules of supply and demand apply, it probably will be some time before the price rises above what, in real money terms, is the lowest for 40 years.

Considerable efforts in the international field have been made during 1966 to find some basis upon which an International Sugar Agreement might be negotiated. Progress towards this end so far is slight since, although more and more countries are showing willingness to co-operate, there are still some major producers who, for their own reasons, do not seem to want an Agreement.



The Canadian Government has consistently followed a policy of supporting agreement on an international scale, and it is to be hoped that its influence will be felt elsewhere. Wild fluctuations in world prices, the corollary of no agreement, do not benefit anybody in the sugar industry in the long run.



marketing

The consumption of sugar in Canada during the fiscal year as measured by the deliveries of sugar from the refineries showed an increase, according to the Dominion Bureau of Statistics, of 3.6%. Most of this was due to the annual growth in population, but there is some indication that lower prices have had an effect too.

The Company's sales were higher than last year, and its export business continued at a satisfactory level.

Some new packages were introduced during the year -- notably, the fruit sugar shaker and individual service envelopes specially designed for Expo 67. The Company continued its successful policy of steadily improving service to its customers.

Competition was extremely keen at all times, resulting in reduced margins.

canadian sugar institute

The Company became a charter member of the Canadian Sugar Institute in August 1966. This is the first time the sugar industry has had a national association.

The Eastern Canadian members of the Canadian Sugar Institute will participate jointly in the Quebec Industries Pavilion at Expo 67.

The Company is also taking part in Expo's agricultural pavilion, "Man the Provider".

redpath cane refining operations

Some unexpected delays were experienced in the commissioning of the automatic warehouse in Montreal during the year. However, the programme of modernization of sugar conditioning, packaging and warehousing is now completed successfully, and the major effect of these improvements will be felt in 1967.

Research is continuing in a number of areas with the object of achieving greater efficiency at both refineries.

dominion crystal beet sugar operations

The average yield of 6,000 lbs. of sugar per acre from the 1965 sugar beet crop constituted a record high figure. This was achieved by a record yield in tons per acre of 19.7, but with a sugar content somewhat below average.

Unfortunately, the acreage harvested in 1965 was the lowest for many years. Contracted acreage was low enough, but unfavourable weather during the year further reduced the harvested figure to 10,950 acres. With such a low throughput, costs inevitably rose in spite of the excellent results obtained from the new diffuser and other equipment installed during the year.

With the low refined sugar prices obtaining throughout 1966, when the sugar from the 1965 crop was being sold, the Company's payment to growers under the participating contract was the lowest for many years. However, the Government deficiency payment was sufficient to provide growers with a return comparable to that of the previous year.

Acreage contracted in 1966 was still at a disappointingly low level. Only 13,950 acres were contracted by 850 growers. This crop has just been harvested and has good sugar content.

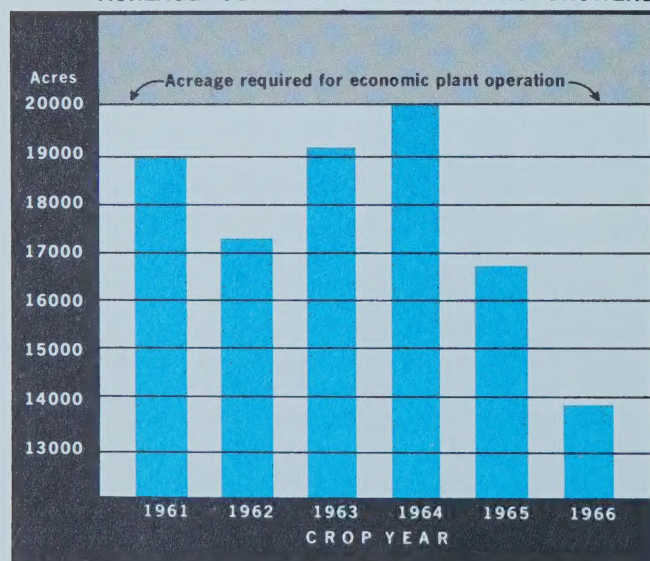
Satisfactory results are being obtained from the new factory equipment installed during the year.

the future of the ontario sugar beet industry

A year ago, the Company said: "It appears that a reasonable return on capital can be achieved providing that the Chatham plant can be operated to its full capacity." It further said that this required a renewal of confidence in the long-term future of the industry and outlined some of its plans to try to achieve this.

For the processing of sugar beets to be profitable at Chatham, it is essential for a full capacity operation to be possible and this involves contracting at least 20,000 acres. Until this has been achieved, the industry cannot be said to be firmly established.

ACREAGE CONTRACTED BY ONTARIO GROWERS



expansion

In the last few years, the Company's growth has been largely determined by the increase in the population of Canada. The Company's transport and customer service has been considerably developed until to-day the fleet consists of 60 vehicles, both specialized and general purpose. Export business has also been increased to a considerable degree. The extent to which these activities can be further developed, however, is limited. It is clear that an acceleration of growth of the Company can best be achieved by looking outside the immediate business of sugar refining, though we seek industries in which our various knowledges and skills can be of assistance. It is the Company's policy to expand its activities out of its own resources.

During the past eighteen months a considerable amount of thought and effort has been devoted to this end. While a number of proposals have been considered by the Directors, none has as yet been thought to be entirely satisfactory. Shareholders will be informed as soon as possible of any definite developments.

canada / west indies conference

In July 1966, a series of talks took place in Ottawa between the Canadian Government and the Governments of the Commonwealth Caribbean Territories. Sugar was one of the many subjects discussed at this conference.

The Canadian Government made an offer to remove the duty on raw sugar imported into Canada from the territories concerned. In effect, this would give raw sugar from those territories a preference over raw sugar from other Commonwealth countries.

It appears that some difficulties have arisen in implementing this offer, but in making this suggestion the Canadian Government has indicated its willingness to assist raw sugar producers in the West Indies.

directors and officers

In December 1965, Hon. Robert H. Winters submitted his resignation as a Director following his appointment as Minister of Trade and Commerce.

During the two years that Mr. Winters served on the Board, he made a most important contribution to its discussions, and the Directors, in accepting his resignation with regret, wish him well in his new post.

Mr. James M. Ferguson, President of Pacific Molasses Company, San Francisco, was appointed a Director to fill the vacancy on October 25th, 1966.

After the Annual Meeting on December 16th, 1965, Mr. H.S. Tate was elected Managing Director of the Company.

On April 18th, 1966, Mr. E.J. Faust was appointed Vice-President of the Company.

appreciation

The Directors wish to thank all employees of the Company for their loyalty and hard work during the year, and extend to them their best wishes for the future.

On behalf of the Board,

Chairman

statements of consolidated profit and loss and earned surplus

year ended september 30, 1966

(with comparative figures for 1965)

	1966	1965
PROFIT AND LOSS:		
Sales	\$46,947,524	\$51,428,714
Cost of sales	34,208,959	38,665,721
	<u>12,738,565</u>	<u>12,762,993</u>
Selling, distribution and administrative expenses	5,965,956	5,625,534
Operating profit - <i>note 1</i>	<u>6,772,609</u>	<u>7,137,459</u>
Interest income	470,185	322,070
	<u>7,242,794</u>	<u>7,459,529</u>
Deduct:		
Interest on debentures	239,189	266,868
Other expenses	47,793	222,212
Profit before taxes on income	<u>6,955,812</u>	<u>6,970,449</u>
Taxes on income	3,600,000	3,550,000
Net profit for the year	<u>\$ 3,355,812</u>	<u>\$ 3,420,449</u>
EARNED SURPLUS:		
Balance, beginning of year	\$14,516,631	\$12,956,182
Net profit for the year	3,355,812	3,420,449
	<u>17,872,443</u>	<u>16,376,631</u>
Dividends paid	1,860,000	1,860,000
Balance, end of year	<u>\$16,012,443</u>	<u>\$14,516,631</u>

canada and dominion sugar company limited
and its subsidiaries

consolidated balance sheet as at september 30, 1966

(with comparative figures for 1965)

ASSETS	1966	1965
CURRENT:		
Cash	\$ 229,823	\$ 236,267
Temporary investments - at cost which approximates market value	11,024,779	12,483,216
Accounts receivable - less allowance for doubtful accounts	3,871,373	3,515,111
Inventories -		
Sugar - note 2	10,338,060	9,201,034
Supplies - at lower of cost or replacement value	1,554,332	1,538,725
Prepaid expenses	650,868	381,790
Total current assets	<u>27,669,235</u>	<u>27,356,143</u>
OTHER INVESTMENTS - at cost	<u>440,801</u>	<u>402,909</u>
FIXED:		
Land, buildings, plant and equipment - note 3	56,790,637	57,959,937
Less accumulated depreciation	24,686,374	25,598,264
	<u>32,104,263</u>	<u>32,361,673</u>
On behalf of the Board:		
G. B. Foster, <i>Director</i>		
H. S. Tate, <i>Director</i>		
	<u>\$60,214,299</u>	<u>\$60,120,725</u>

LIABILITIES

CURRENT:

Accounts payable and accrued charges

\$ 5,404,462

\$ 6,845,544

Income taxes payable

1,042,646

2,078,802

Total current liabilities

6,447,108

8,924,346

TAX REDUCTIONS APPLICABLE TO FUTURE YEARS

9,000,000

7,750,000

5% SINKING FUND DEBENTURES - due July 15, 1978

4,741,000

4,916,000

(debentures totalling \$1,043,000 have been purchased
and cancelled in advance of sinking fund requirements)

SHAREHOLDERS' EQUITY:

Capital -

Authorized:

3,000,000 shares of no par value

Issued:

1,550,000 shares

14,800,000

14,800,000

Increment arising from revaluation of fixed assets

8,213,748

8,213,748

Distributable surplus set aside on organization of company

1,000,000

1,000,000

Earned surplus

16,012,443

14,516,631

40,026,191

38,530,379

\$60,214,299

\$60,120,725

statement of consolidated source and use of funds

year ended September 30, 1966

(with comparative figures for 1965)

SOURCE OF FUNDS:

Operations -

Net profit for the year

Depreciation

Provision for income taxes payable in future years

Disposal of fixed assets

USE OF FUNDS:

Additions to buildings, plant and equipment

Payment of dividends

Retirement of debentures

Acquisition of other investments

Added to working capital

1966	1965
\$ 3,355,812	\$ 3,420,449
1,481,683	1,428,929
1,250,000	1,350,000
6,087,495	6,199,378
149,156	369,312
<u>\$ 6,236,651</u>	<u>\$ 6,568,690</u>
\$ 1,373,429	\$ 3,011,680
1,860,000	1,860,000
175,000	669,000
37,892	134,720
3,446,321	5,675,400
2,790,330	893,290
<u>\$ 6,236,651</u>	<u>\$ 6,568,690</u>

notes to consolidated financial statements september 30, 1966

1. Depreciation of \$1,481,683 and directors' remuneration of \$112,316 have been deducted in determining operating profit.
2. A fixed tonnage of raw sugar equivalent is valued at a basic price per ton and the remaining inventories of sugar are valued at the lower of cost or market. The fixed tonnage is carried at the same value as last year, which value exceeded market value at September 30, 1966 by approximately \$739,000. Previously, it was the company's policy to reduce the basic price

to market price at the end of the year if it exceeded market. Since the base stock method of inventory valuation is designed to eliminate the effects of market fluctuations from the periodic determination of income, a reduction of the basic value to market value would have been of a special nature, which would not have affected the reported net profit for the year.

3. Fixed assets are stated at replacement cost at October 1, 1961, as determined by Canadian Appraisal Company Limited, with subsequent additions at cost.

auditors' report to the shareholders

We have examined the consolidated balance sheet of Canada and Dominion Sugar Company Limited and its subsidiaries as at September 30, 1966 and the related statements of consolidated profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of the companies as at September 30, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year with the exception of the change, in which we concur, in the basis of valuation of inventories of sugar referred to in Note 2 of the notes to consolidated financial statements.

Our examination also included the accompanying statement of consolidated source and use of funds which in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and uses of funds of the companies for the year ended September 30, 1966.

Montreal, Canada,
November 10, 1966.

CLARKSON, GORDON & CO.
Chartered Accountants.

five year review

	1966	1965	1964	1963	1962
EARNINGS:					
Operating profit	\$ 6,772,609	\$ 7,137,459	\$ 7,328,535	\$ 4,647,188	\$ 7,155,314
Profit before taxes on income	6,955,812	6,970,449	7,033,636	4,569,089	6,956,271
Taxes on income	3,600,000	3,550,000	3,600,000	1,900,000	3,650,000
Net profit for the year	3,355,812	3,420,449	3,433,636	2,669,089	3,306,271
<i>Per share</i>	2.17	2.21	2.22	1.72	2.13
Dividends paid	1,860,000	1,860,000	1,860,000	1,860,000	1,550,000
<i>Per share</i>	1.20	1.20	1.20	1.20	1.00
FINANCIAL POSITION:					
Working capital	21,222,127	18,431,797	17,538,507	13,492,740	11,928,223
Land, buildings, plant and equipment	56,790,637	57,959,937	55,922,872	57,935,753	58,199,060
Accumulated depreciation	24,686,374	25,598,264	24,774,638	27,926,929	27,629,314
Tax reductions applicable to future years	9,000,000	7,750,000	6,400,000	2,800,000	2,500,000
Funded debt	4,741,000	4,916,000	5,585,000	5,711,000	5,833,000
SHAREHOLDERS' EQUITY:					
Capital and surplus	40,026,191	38,530,379	36,969,930	35,396,294	34,587,205
<i>Per share</i>	25.82	24.86	23.85	22.84	22.31



dominion crystal division

This year marks the fiftieth anniversary of your Company's Chatham Ontario plant. In this interval, it has continued to produce "Dominion Crystal" brand refined sugar from sugar beets, grown within a 100-mile radius of the factory. Its continued survival through two wars and occasional dislocations in the world sugar market is attributed to constant improvements in techniques in sugar beet agriculture and processing. This has involved close co-operation between growers and your Company.

The beet sugar operation is a blend of specialized skills: farmers plant, cultivate and deliver their harvest to the factory; the Company processes the sugar beets into pure refined sugar and valuable by-products -- beet molasses and beet pulp. Under a participating form of contract which is different from that of any other agricultural business enterprise in Eastern Canada, growers and Company share returns from the sale of sugar and by-products.

The Chatham factory is located in the most southerly part of Canada, at a latitude paralleling northern California. Such well earned titles for the area as "the corn crib", "the fruit basket", "the vegetable garden", "the sugar bowl", truly indicate that sugar beets are grown in rotation with other valuable cash crops in South Western Ontario.



Warehouse foreman checks ten-pound packaging operation at Chatham factory.

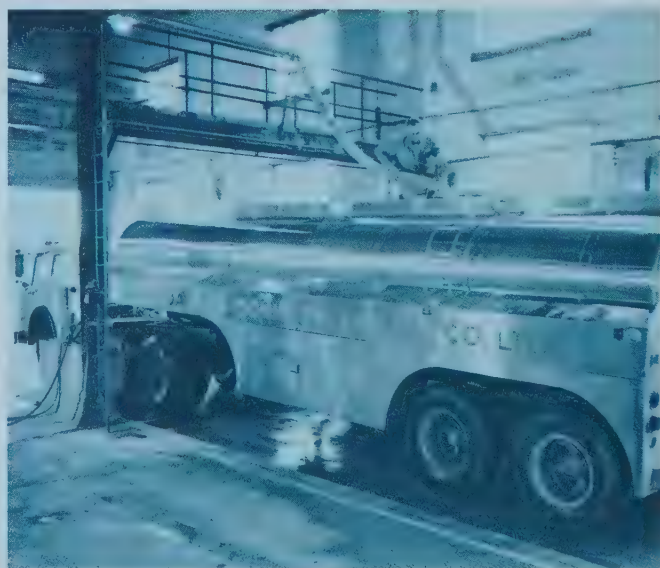
The plant is readily accessible to densely populated markets, and food factories which are large consumers of our production.

competition

Comparison of Dominion Crystal Sugar with other sugar brands shows our quality equals or surpasses any other refined, cane or beet. But quality alone does not suffice in the Canadian market. Our refined beet sugar must compete against Canadian refined sugars made from imported raw cane. In the last two years, raw cane sugar again has been in surplus supply throughout the world, and sold by tropical producers to Canadian cane refiners at prices well below cost of production. This explains why Canadian sugar is priced now at the lowest level since 1939, and is the best food value available to Canadian consumers.

In the past few years, Federal Government assistance, under the Agricultural Stabilization Act, has provided S.W. Ontario growers with a stability in sugar beet prices, vital to the entire farm community.

But the industry has not relaxed its quest for improvements in efficiency. Innovations in sugar beet growing and processing have continued at an accelerated pace, and have made the beet sugar industry in S.W. Ontario one of the most efficient beet sugar operations in North America.



Our specially-designed liquid sugar trucks now serve food manufacturers throughout S. W. Ontario.

grower accomplishments

One of the ingredients in profitable farming is maximum production per acre, thereby reducing fixed costs per ton. Scientific knowledge and agricultural techniques passed on to farmers by your Company's agricultural experts, and improved seed varieties, have almost doubled yields of sugar per acre in the last 13 years. In 1965 and 1966, the average Ontario farmer harvested nearly three tons of sugar per acre, a performance which leads other beet growing areas in Canada and matches annual yields in many cane countries.

Field automation has added impetus to the war against costs. The break-through began in harvesting. As recently as after the war, mature sugar beets were still being ploughed out of the ground at harvest time, and the leaves severed by hand.

Strong-backed field labourers are now as extinct as blacksmiths. Mechanical harvesting machines lift, top and place in trucks, several rows of sugar beets at a time. In one day, a harvest machine now does the work previously performed by 15 hardy men.

Replacement of men by machines during spring sugar beet operations has been a later, sensational development.



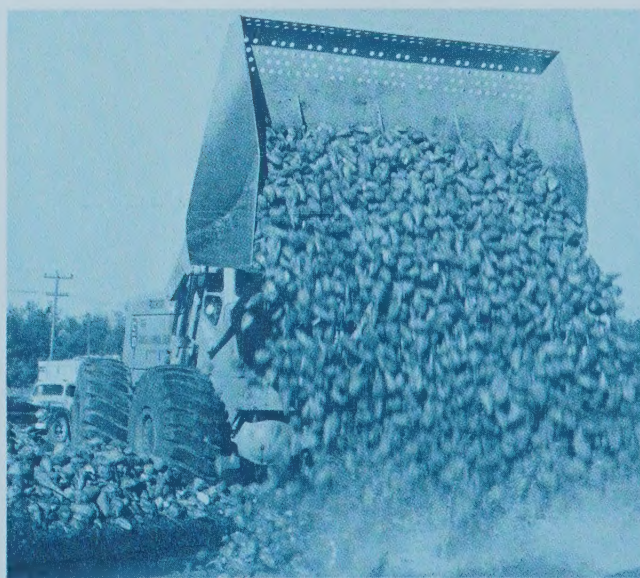
Sugar beet harvester uproots, tops and loads two rows of sugar beets at a time.

Shortly after emergence, seedlings have to be blocked and thinned to one thriving plant per foot, to give the robust sugar beet elbow-room to grow. This blocking and thinning used to be a hand operation, performed with short-handled hoes, and workers' fingers.

Single-germ seeds, planted along the rows at pre-set intervals with precision drills, have now reduced the number of seedlings to be eliminated at thinning time. Mechanical thinners are beginning to displace spring labourers. A special weed spray is a newly-added labour-saving device, to kill obnoxious competitors in the beet rows.

Obviously, not all S.W. Ontario farmers grow sugar beets, but the most efficient farmers realize the value of this hardy crop in their rotation. They strive for new yield records, and take advantage of specialized farm machines to further enhance their profits. Farmers with smaller acreages are being encouraged to utilize services offered by roving "custom" machine operators.

To prove by example and leadership a new era has dawned in the automation of sugar beet growing, the Company has expanded its demonstration plots of sugar beets throughout the entire growing area.

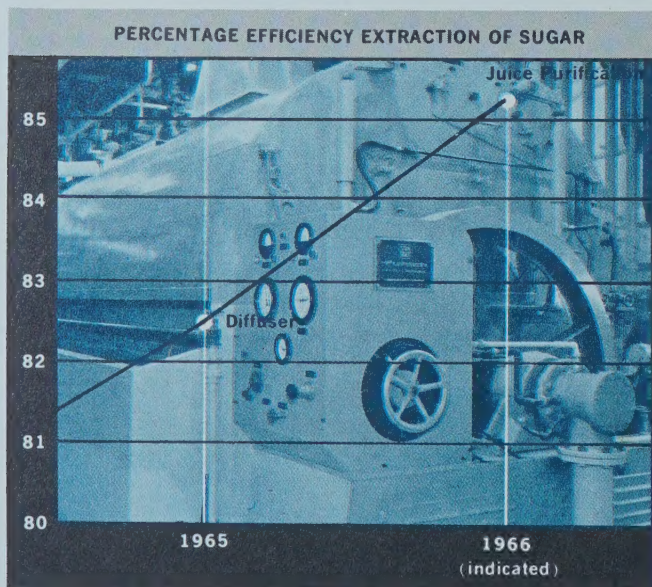


This front loader with an 8-9 ton capacity is capable of feeding the entire slicing capacity of the plant with one man.

factory accomplishments

As part of its long-range program, to further increase the performance of sugar extraction, Company engineers installed in 1965 a new tower diffuser, the first of its type in Canada. This machine is 65 feet in height and 18 feet in diameter. Sliced sugar beets (cosettes) are pumped into the bottom of the tower and conveyed upwards, counter to the gravity flow of hot water introduced at the top. Sugar from the sliced beets is "steeped" from the beet cells by diffusion. Dramatically improved extraction of sugar in the tower is the result of continual immersion of cosettes in water, to reduce losses which otherwise would occur in cosettes exposed to the air.

This year, the Company has installed a new, continuous juice purification process, to increase even further its efficiency of sugar extraction and its quality. This highly sophisticated and automatic equipment is unique in North America. The cost-saving objective of this system is to eliminate from the juices as high a percentage as possible of the impurities, prior to the evaporation stage.



Three new rotary vacuum filters automatically discard filter cake in almost-dry state.

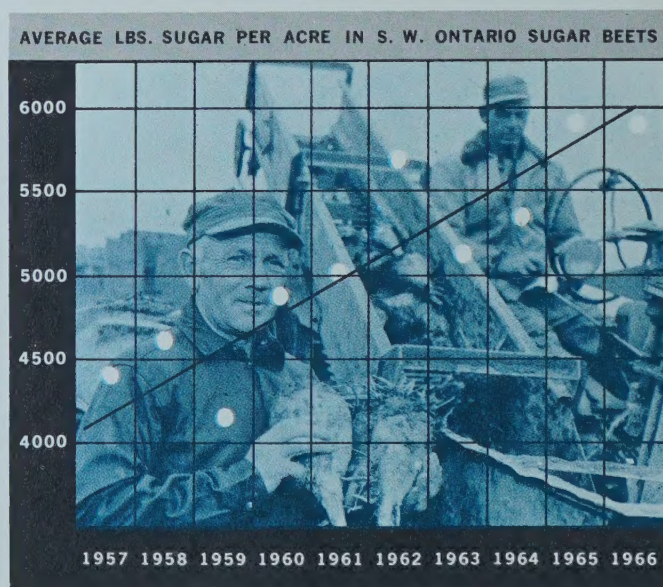
Profitability of these factory improvements only can be attained when the factory capacity is fully utilized. This requires 20,000 acres of sugar beets to be contracted by Ontario farmers.

conclusion

The sugar beet crop distributes approximately \$5,000,000 per year to S.W. Ontario growers and Company employees. Sugar beets are grown in rotation with other crops, and continue to be a corner-stone of the widely diversified agriculture in this region.

One of the many attractive and long-term features of the industry is that sugar beets are not a surplus agricultural commodity in S.W. Ontario.

The Canadian Government is actively participating in international sugar conferences, designed to bring about stable and realistic global sugar prices. Then if Ontario growers contract for at least 20,000 acres per year, there can be no question of the ever-increasing capability of the S.W. Ontario sugar beet industry to take its place alongside the cane refining industry.



S. W. Ontario sugar beet growers' returns have improved with larger sugar production per acre.



Above

Each sugar beet weighs from 1½ to 10 pounds. Sugar beet tops supply growers with protein-rich feed for their cattle.



Upper Right

New quality-control laboratory opened in Chatham factory this fall.

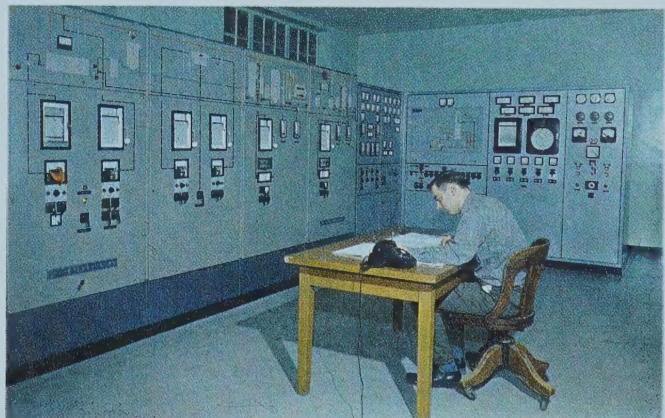


Middle Right

Mechanical thinners chop out young sugar beet plants at prescribed intervals, leaving one growing plant in every twelve inches for maximum growth.

Lower Right

These electric, pneumatic and electronic controls enable the operator to regulate nearly all of the operations throughout the factory.



Chatham factory

The Chatham factory was built in 1916, with a capacity of 1,500 tons of sugar beets a day. Improvements in plant installations and modernization of equipment have increased the capacity to some 3,400 tons a day representing approximately 1,000,000 lbs. of refined sugar. In the foreground thousands of tons of beets, which have been delivered by trucks, are waiting to be processed, whilst loaded railcars are being readied to dump sugar beets directly into the flumes.

